

# Management Representation Letter



Constitution of  
The United States

A Regular Statement of Account of the Receipts and Expenditures of all public Money shall be published from time to time.

Article I, Section 9

# Importance of the Management Representation Letter

## How Does This Benefit You?



- Saves Management's time with auditors
- Validates just how much Management knows about the financial statements
- Saves dollars spent on auditor's time

# Audit Requirement



The **Auditor** is required to obtain from the highest level of **management** (CFO or equivalent) a letter that provides management's opinion of their financial condition, internal controls, compliance with Federal Financial Management Information Act and adherence with laws and regulations.

# Not A Substitute for Audit

The auditor cannot substitute the Management Representation Letter for any of the auditing procedures necessary to afford a reasonable basis for an opinion regarding the financial statements under audit.



# Content of the Letter

The highest level of management issues a Management Representation Letter that provides management's opinion of their

- Financial Statements
- Internal Controls
- Compliance with Federal Financial Management Improvement Act of 1996
- Compliance with laws and regulations



# Additional Representations

The auditor can request written representations from management to complement other auditing procedures. In many cases, the auditor applies auditing procedures specifically designed to obtain evidential matter concerning matters that also are the subject of written representations.



# Amendment to SAS 85

December 1999 Amendment to SAS 85 required that the management representation letter address:

- Management's belief that the effects of any uncorrected misstatements are immaterial both individually and in the aggregate.
- Management's belief that items identified by the auditor are not misstatements.

# Timeframes

- Preliminary Management Representation Letter
  - no earlier than the date of the auditor's report or the end of audit fieldwork.
- Final Management Representation Letter
  - updated to reflect the conditions noted in the audit.



# Appearance of the Letter

- Placed on the audited entity's letterhead
- Addressed to the Comptroller General or the agency Inspector General
- Signed by the highest level of Management (CFO or equivalent)

# What Happens if Management Does Not Issue the “Letter”?

The auditor may

- Note a scope limitation in the audit report.
- Issue a disclaimer of opinion.
- Withdraw from the audit.

# Cut those Audit Costs and Issue Your Management Representation Letter

